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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 007369

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SUBJECT: THE AMBASSADOR'S MEETING WITH MINISTER OF
INVESTMENT MOHIELDIN

Classified by Charge Stuart Jones for reasons 1.4 (b) and (d).

Summary

11. (C) The Ambassador had an introductory meeting with Egyptian Minister of Investment Mahmoud Mohieldin on September 14. The Ambassador noted the positive progress on reform signaled by the recent presidential election, but noted concerns about heavy-handedness by the NDP. He suggested ways the GOE could improve the electoral process in anticipation of parliamentary elections. Mohieldin said the NDP was confident about the upcoming elections, and predicted that the major opposition parties would each win a few seats. The new composition of the parliament might make continued economic reform more challenging. Mohieldin added that the GOE would tackle corruption and make this a major focus, undertaking various initiatives including passing a new anti-corruption law. End summary.

Presidential Election

12. (C) The Ambassador had an introductory meeting with Egyptian Minister of Investment Mahmoud Mohieldin on September 14. The Ambassador told Mohieldin that Washington had real confidence in the current GOE team and that the U.S. would like to help advance reform. Secretary Rice had indicated to the Ambassador after Egypt's recent presidential election that the U.S. did not want it to be prescriptive or imply support for a particular party, but rather to support reform in general. Despite the positive progress signaled by the election itself, there was some concern over heavy-handedness by the NDP in the electoral process. The Ambassador suggested the NDP consult NDI and IRI regarding improvements that could be made in the electoral process before the parliamentary elections. One possibility was to move more polling centers to schools and avoid those which remained in police stations, as that sent the wrong message. Such improvements would make it easier for the U.S. to be more supportive of Egypt's reform efforts. The Ambassador noted the positive signal sent by the conduct of the security forces during the election. Mohieldin responded that even the opposition was appreciative of the security forces' behavior on election day. The police's impartiality put more pressure on the NDP to reform, as the party had always assumed their unqualified backing. He anticipated that security would be even more impartial during the upcoming parliamentary election.

Parliamentary Elections

13. (C) Mohieldin noted that the NDP had developed its reform agenda at the party conference in 2002. In the 2000 parliamentary election, the NDP won only 38% of the vote. Approximately 200 independent candidates won election, and subsequently joined the NDP. Going into the 2005 parliamentary elections, the NDP was confident and had gotten a boost from the presidential election. Provincial party leaders were now identified and linked to the party's central headquarters. Opposition parties were still weak, but some strong independents would likely emerge during the campaign. He estimated that the Wafd party would win 4-5 seats, Tagammu 4-5, Ghad 5-6, depending on the outcome of Ayman Nour's trial, and that independents allied with the banned Muslim Brotherhood would retain the number of seats they currently had (16), or perhaps win a few more. Mohieldin noted that there was a 60-70% chance that he would run for parliament himself. He would run if his uncle, a longtime parliamentarian from the Tagammu party, decided not to run.

Continuing Reform

14. (C) Mohieldin said that Egypt needed support from the U.S. for continued reform. Mubarak had made the political reform agenda clear: devolution of power to the parliament, increased transparency through a "FOIA-like" law, and anti-corruption measures. The economic reform agenda,

however, was not specified during the election campaign and would be more challenging. While economic reform had been relatively smooth in the past year, it would likely be more difficult after the upcoming parliamentary elections. Some of the reforms on the agenda would be particularly difficult, including furthering privatization, trade liberalization, and improving relations with Israel. Those who stood to lose from the reforms knew they would lose and were very outspoken. Those who stood to benefit were not necessarily aware that they would benefit and would simply "thank God in silence" if the reforms were successful.

15. (C) On the issue of anti-corruption, the Ambassador urged Mohiieldin to be proactive. Mohiieldin said that he had discussed corruption at a conference the previous day. Responsibility for anti-corruption efforts currently resided with the Authority for Administrative Control, which had had some success in prosecuting corruption. The GOE, however, was considering establishing a new agency that would have representatives in each ministry. A new anti-corruption law was also being drafted in parliament, and Mohiieldin promised to share a draft with the USG. A corporate governance guide, which was part of the GOE-USG financial sector MOU, would also soon be published.

16. (C) The World Bank was supportive of the GOE's efforts, as was the International Financial Corporation, which had given \$1 million for a national anti-corruption program. That program would serve as a model for the entire BMENA area. NGOs would be incorporated into the program to lend it credibility, and Mohiieldin welcomed possible USAID assistance. He said the overall aim was to present corruption as a destructive force and "haram," i.e., forbidden by Islam. The NDP had also established a Secretariat for Values, which policed the party. A Supreme

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Court judge headed the Secretariat, and reported directly to Mubarak. The Ambassador undertook to raise awareness of these initiatives among USG policy-makers.

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JONES